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FM AMEMBASSY JAKARTA  
TO RUEHC/SECSTATE WASHDC PRIORITY 1715  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
RHEHNSC/NSC WASHDC PRIORITY  
RUEHLMC/MILLENNIUM CHALLENGE CORP 0034

UNCLAS SECTION 01 OF 02 JAKARTA 012939

SIPDIS

SENSITIVE  
SIPDIS

AIDAC

DEPT FOR SECRETARY RICE  
AID FOR ADMINISTRATOR TOBIAS  
TREASURY FOR SECRETARY PAULSON  
DEPT PASS USTR FOR AMBASSADOR SCHWAB  
MCC FOR AMBASSADOR DANILOVICH

E.O. 12958: N/A

TAGS: [EAID](#) [EINV](#) [ECON](#) [KMCA](#) [ID](#)  
SUBJECT: INDONESIA SEEKS COMPACT ELIGIBILITY, APPRECIATES THRESHOLD PLAN APPROVAL

REF: Jakarta 12687

Embassy Jakarta received on November 1 the following letter from the Indonesian Minister of Finance and the Minister of State for National Development Planning/Chairman of National Development Planning Agency.

BEGIN TEXT

Ref No.: S-462/M.K.010/2006  
Ref No.: 6462/M.PPN/10/2006

H.E. Ambassador John J. Danilovich  
Chief Executive Officer  
Millennium Challenge Corporation  
875 Fifteenth St. NW  
Washington, D.C. 20005  
USA

Excellency,

On behalf of the Government of Indonesia, please allow us to express our sincere appreciation regarding your support for Indonesia's Threshold Program. The Threshold Program will bolster our ongoing reforms and its approval is a welcome recognition that our hard work in the areas of Ruling Justly, Investing in People and Economic Freedom is on the right track. We also welcome the Threshold Program as one more example of the strengthening ties between Indonesia and the United States that have seen such great progress over the past two years.

To build upon these accomplishments and help maintain the momentum of reform and growth in Indonesia, we hope that on November 8th the Board will look favorably upon Indonesia's Compact qualification. The Government has now successfully completed almost two years in office, with tangible progress in its principal national development missions to realize a Safe and Peaceful Indonesia, a Just and Democratic Indonesia, and a Prosperous Indonesia through transformational reforms and development programs. We have progressed on our reform agenda against a backdrop of extraordinary circumstances in 2004-2006. The devastating natural disasters in Aceh, Nias, Yogyakarta, and South Central and West Java, while posing enormous challenges, have not deterred us from moving ahead on national economic and social priorities. In parallel, the Government has also

made marked progress on the governance front, by strengthening key institutions and considerably enhancing transparency.

We are proud to have already achieved significant progress in the areas of ruling justly, investing in people and economic freedom. It will, however, take time for those performance indicators to be reflected in internationally published statistical data, particularly as the decentralization process, which has enhanced governance and service delivery throughout Indonesia, complicates the capture of key MCC data at the national level. We would like to take the opportunity therefore to highlight some of our recent key accomplishments and demonstrations of commitment towards those goals reflected by the MCC framework:

-- Our 2007 budget proposes record increases in spending in the areas of education, health and investing in people. This is in addition to our social spending and anti-poverty program being financed through our fuel subsidy decreases.

-- We have increased our allocations for anti-corruption efforts, building upon our commitment to combating and controlling corruption in Indonesia and strengthening those lasting institutions dedicated to this goal.

-- Our National Medium-Term Development Plan for 2004-2009 is a comprehensive, realistic strategy for enhancing sustainable growth, alleviating poverty and combating corruption which is being implemented across the Government.

As our significant efforts during the last two years to promote good governance, combat corruption, enhance poverty

JAKARTA 00012939 002 OF 002

alleviation, invest in people by significantly increasing education and health spending and encourage economic reform, produce positive outcomes for all Indonesians, we will continue to build upon these accomplishments.

The Threshold Program will bolster existing efforts in the areas of immunization and control of corruption, and we are committed to fully taking advantage of the Threshold opportunity. Additionally, we look forward to Indonesia's consideration for Compact status that would provide additional means for our continued transformative development efforts that support our shared vision for a stable, democratic and economically vibrant Indonesia.

Please accept the assurance of our highest consideration, we remain.

(Signed)  
Sri Mulyani Indrawati  
Minister of Finance

(Signed)  
H. Paskah Suzetta  
Minister of State for National Development Planning/  
Chairman of National Development Planning Agency

Cc.:

- 1. H.E. President of the Republic of Indonesia
- 2. H.E. Vice President of the Republic of Indonesia
- 3. H.E. Ms. Condoleeza Rice, US Secretary of State (Chair, MCC)
- 4. Coordinating Minister of Economic Affairs, the Republic of Indonesia
- 5. Minister of Foreign Affairs, the Republic of Indonesia
- 6. Mr. Henry M. Paulson, Jr., Secretary of Treasury (Vice Chair, MCC)
- 7. Ms. Susan C. Schwab, US Trade Representative
- 8. Mr. Randall Tobias, USAID Administrator
- 9. H.E. Ambassador of the Republic of Indonesia to the United States of America

¶10. H.E. Ambassador of the United States of America to  
Indonesia

END TEXT

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